

**LOYAC Private Training and Consulting Company W.L.L.  
and its Subsidiary  
State of Kuwait**



**Consolidated Financial statements and independent auditor's  
report for the year ended 31 December 2014**

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<i>Contents</i>	<i>Page</i>
Independent auditor's report	1 – 2
Consolidated statement of financial position	3
Consolidated statement of activities and other comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7 – 24

## INDEPENDENT AUDITOR'S REPORT

### The Board of Directors

### LOYAC Private Training and Consulting Company W.L.L. and its Subsidiary State of Kuwait

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of LOYAC Private Training and Consulting Company W.L.L. (the "Parent Company") or ("LOYAC") and its Subsidiary (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of activities and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

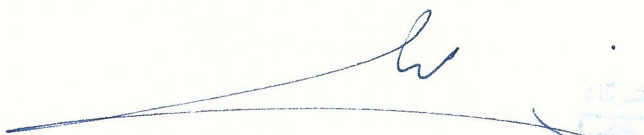
### LOYAC Private Training and Consulting Company W.L.L. and its Subsidiary

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **Report on Other Legal and Regulatory Requirements**

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Companies Law No 25 of 2012, as amended, its executive regulations, and LOYAC's articles of association. In our opinion, proper books of account have been kept by LOYAC and an inventory count was carried out in accordance with recognized procedures. We have not become aware of any contravention, during the year ended 31 December 2014, of the Companies Law No 25 of 2012, as amended, its executive regulations, or of LOYAC's articles of association, that might have had material effect on the Group's activities or on its consolidated financial position.

  
**Bader A. Al-Abduljader**  
**License No. 207, Category "A" - Kuwait**  
**of Russell Bedford (Bader Al Abduljader & Partners)**  
**Member of Russell Bedford International**



Kuwait: 17 June 2015

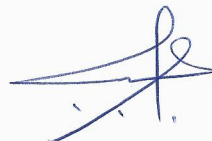
**Consolidated statement of financial position**  
*as at 31 December 2014*

	Note	2014 KD	2013 KD
<b>Assets</b>			
Inventories		6,438	6,990
Prepayments and other receivables	4	31,160	51,584
Contribution receivables	5	150,275	87,154
Term deposits	6	63,992	5,151
Cash on hand and at banks	7	<u>240,141</u>	<u>208,227</u>
<b>Total current assets</b>		<u>492,006</u>	<u>359,106</u>
Property and equipment	8	14,883	16,392
Intangible assets	9	<u>1,883</u>	<u>3,667</u>
<b>Total non-current assets</b>		<u>16,766</u>	<u>20,059</u>
<b>Total assets</b>		<u>508,722</u>	<u>379,165</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	10	87,348	51,514
Deferred contributions	11	<u>142,221</u>	<u>138,948</u>
<b>Total current liabilities</b>		<u>229,569</u>	<u>190,462</u>
Provision for employees' end of service benefits	12	<u>40,915</u>	<u>30,480</u>
<b>Total non-current liabilities</b>		<u>40,915</u>	<u>30,480</u>
<b>Total liabilities</b>		<u>270,484</u>	<u>220,942</u>
<b>Equity</b>			
Share capital	13	20,000	20,000
Statutory reserve		16,121	16,121
Voluntary reserve		27,619	27,619
Retained earnings		<u>174,498</u>	<u>94,483</u>
<b>Total equity</b>		<u>238,238</u>	<u>158,223</u>
<b>Total liabilities and equity</b>		<u>508,722</u>	<u>379,165</u>

The notes on pages 7 to 24 are an integral part of these financial statements.



Fareah Al-Saqqaf  
*Chairperson and  
Managing Director*



Abeer Al-Essa  
*Treasurer and Executive  
Board Member*



Fadia Al-Marzooq  
*Secretary of the Board and  
Executive Board Member*



**Consolidated statement of activities and other comprehensive income**  
*for the year ended 31 December 2014*

		2014 KD	2013 KD
	Note		
<b>Operating and support revenues</b>			
<b>Contributions</b>			
Corporate and individuals	14	553,490	368,738
Services and materials	14	79,255	79,132
<b>Total contributions</b>		<u>632,745</u>	<u>447,870</u>
Deferred contributions	11	(142,221)	(138,948)
<b>Net contributions</b>		<u>490,524</u>	<u>308,922</u>
<b>Projects and programs</b>			
Students' training programs	14	509,983	480,251
Other revenues	14	65,759	15,185
<b>Total operating and support revenues</b>		<u>1,066,266</u>	<u>804,358</u>
<b>Operating expenditure</b>			
<b>Projects and programs</b>			
Students' training programs	15	(514,967)	(395,473)
<b>Supporting services</b>			
Management and general	16	(471,284)	(363,031)
<b>Total operating expenditure</b>		<u>(986,251)</u>	<u>(758,504)</u>
<b>Results of operations for the year</b>		80,015	45,854
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u>80,015</u>	<u>45,854</u>

The notes on pages 7 to 24 are an integral part of these financial statements.

**Consolidated statement of changes in equity**  
*for the year ended 31 December 2014*

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Total KD
<b>Balance as at 31 December 2013</b>	20,000	16,121	27,619	48,629	112,369
Total comprehensive income for the year	-	-	-	45,854	45,854
<b>Balance as at 31 December 2013</b>	<u>20,000</u>	<u>16,121</u>	<u>27,619</u>	<u>94,483</u>	<u>158,223</u>
Total comprehensive income for the year	-	-	-	80,015	80,015
<b>Balance as at 31 December 2014</b>	<u>20,000</u>	<u>16,121</u>	<u>27,619</u>	<u>174,498</u>	<u>238,238</u>

The notes on pages 7 to 24 are an integral part of these financial statements.

**Consolidated statement of cash flows**  
*for the year ended 31 December 2014*

	Note	2014 KD	2013 KD
<b>Cash flows from operating activities:</b>			
Results of operations for the year		80,015	45,854
<i>Adjustments for:</i>			
Depreciation	8	9,271	8,684
Amortization	9	1,834	1,833
Provision for employees' end of service indemnity	12	16,295	8,577
Provision no longer required	12	(1,953)	-
		<u>105,462</u>	<u>64,948</u>
<i>Changes in:</i>			
- Prepayments and other receivables		20,424	(25,088)
- Inventories		552	(1,339)
- Contribution receivables		(63,121)	(87,154)
- Accounts payable and accrued expenses		35,834	18,678
- Deferred contributions		3,273	87,562
		<u>102,424</u>	<u>57,607</u>
Payments towards employees' end of service indemnity	12	(3,907)	(8,006)
<i>Net cash generated from operating activities</i>		<u>98,517</u>	<u>49,601</u>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment		(7,762)	(7,854)
Purchase of intangible assets		-	(5,500)
Term deposits		(58,841)	(5,151)
Restricted cash at banks		33,800	(33,800)
<i>Net cash used in investing activities</i>		<u>(32,803)</u>	<u>(52,305)</u>
<b>Net increase/ (decrease) in cash on hand and at banks</b>		65,714	(2,704)
<b>Cash on hand and at banks at the beginning of the year</b>		<u>174,427</u>	<u>177,131</u>
<b>Cash on hand and at banks at end of the year</b>	7	<u>240,141</u>	<u>174,427</u>

The notes on pages 7 to 24 are an integral part of these financial statements.



**Notes to the consolidated financial statements**  
*for the year ended 31 December 2014*

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**1. Reporting entity**

LOYAC Private Training and Consulting Company W.L.L. (“LOYAC” or “the Parent Company”) is a limited liability company that was established in the State of Kuwait on 25 May 2004.

LOYAC is a non-for-profit organization working towards the overall development of the youth and its primary objective is establishing national training institutes.

The consolidated financial statements comprise the Parent Company and its Subsidiary (together referred to as “the Group”). The directly owned subsidiary by the Parent Company is as follows:

<b>Name of the company</b>	<b>Country</b>	<b>% of ownership</b>	<b>Principal activities</b>
LOYAC for Theatrical Production Company (Fareah Ahmad Mohammed Al Saqqaf & Partners) W.L.L.	Kuwait	100%	Theatrical production

LOYAC is domiciled in Kuwait and its office is located at Al Qibliya School, Kuwait City and its registered postal address is P.O. Box 70451, Shuwikh 64058, State of Kuwait.

The total number of employees of the Group as at 31 December 2014 was 35 (2013: 28).

The consolidated financial statements were authorized for issue by the Board of Directors on 17 June 2015.

**2. Basis of presentation**

**a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Committee of the IASB.

**b) Functional and presentation currency**

The consolidated financial statements are presented in Kuwaiti Dinars (“KD”) which is LOYAC’s functional currency.

**c) Basis of measurement**

The consolidated financial statements are prepared on amortized or historical cost basis, except for contributed services and materials which are measured at fair value.

The consolidated statement of activities and other comprehensive income is a consolidated statement of financial activity related to the current year, it is not a performance measure and it does not purport to present the net income or loss for the period as would a consolidated statement of comprehensive income for a profit oriented entity.

**Notes to the consolidated financial statements**  
*for the year ended 31 December 2014*

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Net assets, expenses, revenues, gains and losses are classified based on the existence or absence of sponsor imposed restrictions. Accordingly, the net assets, revenues and expenses of LOYAC and changes therein are classified and reported in the notes to the consolidated financial statements as follows:

*Unrestricted net assets* - Net assets that are not subject to any sponsor imposed stipulations that may be designated by the board members for any program activities or purchase of equipment.

*Temporarily restricted net assets*- Net assets subject to sponsor imposed restrictions on their use that have to be met by actions of LOYAC.

*Permanently restricted net assets*-These represent primarily capital and transfers to the statutory reserve.

**d) Estimates and judgments**

The preparation of consolidated financial statements in conformity with IFRSs require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and any future periods affected.

*Determining fair values*

The following accounting policy and disclosures require determination of fair value. Fair values have been determined based on following methods:

Contributed services and materials

The fair value of contributed services and donated materials is based on what LOYAC would have paid for similar services/ materials had they not been contributed/ donated and is determined based on the assumptions that market participants would use in pricing the contributed service/ material.

**Notes to the consolidated financial statements**  
*for the year ended 31 December 2014*

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**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

**a) Basis of consolidation**

The consolidated financial statements of the Group include the Parent Company and its Subsidiary as referred to in Note 1.

*Subsidiaries*

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The consolidated financial statements of the subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Intra-group balances and transactions, including intra-group profits and unrealised profits and losses are eliminated on consolidation. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

*Non-controlling interests*

Non-controlling interests represent the share of results and net assets in consolidated subsidiaries not held by the Group. Non-controlling interests is presented separately in the consolidated statements of income, comprehensive income and equity.

*Loss of control*

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Notes to the consolidated financial statements  
for the year ended 31 December 2014

**b) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, unrestricted balances and short-term deposits with original maturities of three months or less. The carrying amount of money market instruments approximate its fair value at the consolidated statement of financial position date due to the short term maturity of those instruments. For the purpose of the consolidated statement of cash flows, cash equivalents are short term liquid instruments that are both:

- Readily convertible to known amounts of cash; and
- So near to their maturity that they present insignificant risk of changes in value because of changes in interest rates.

**c) Property and equipment**

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is recognized in the consolidated statement of comprehensive income and activities on a straight line basis over the estimated.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and fixtures	5 years
Office equipment	3 years
Computers and accessories	3 years

**d) Intangible assets**

Intangible assets acquired by LOYAC which has a finite useful lives, are measured at cost less accumulated amortization and accumulated impairment loss.

Amortization is calculated over the cost of the asset and recognized on a straight line basis in the consolidated statement of activities and other comprehensive income over the estimated useful lives of intangible assets, from the date they are available for use as this most closely reflects the expected patterns of consumption of the future economic benefits embedded in the asset.

The estimated useful lives for the current year are as follows:

Computer software	3 years
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The gain or loss arising from disposal of intangible asset is recognized in the consolidated statement of activities and other comprehensive income and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

**e) Receivables**

Receivables are amounts due from sponsors and/ or students for contributions made or services performed in the ordinary course of business. Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment losses (Note3 (f)).

**f) Impairment**

**Financial assets**

Financial assets are reviewed at the reporting date to determine whether there is objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flow discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the consolidated statement of activities and other comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the consolidated statement of comprehensive income and activities.

**Non-financial assets**

The carrying amounts of the LOYAC's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated statement of activities and other comprehensive income.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in the consolidated statement of activities and other comprehensive income.

**Notes to the consolidated financial statements**  
*for the year ended 31 December 2014*

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**g) Employee benefits**

*Kuwaiti employees*

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security (PIFSS) Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. LOYAC's share of contributions to this scheme, which is a defined contribution scheme, is charged to the consolidated statement of activities and other comprehensive income in the year to which they relate.

*Expatriate employees*

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and LOYAC's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. Provision for this unfunded commitment, which represents a defined benefit plan, has been made by calculating the notional liability had all employees left at the reporting date.

**h) Provisions**

A provision is recognized in the consolidated statement of financial position when LOYAC has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**i) Inventories**

Inventories mainly represent soccer uniform kits held for resale in the ordinary course of business and materials and supplies to be consumed in the rendering of services.

Inventories are stated at the lower of costs and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

**j) Deferred contributions**

Deferred contributions represent the excess balance of operating and supporting revenue, over expenditure incurred during the year on student training programs. The contributions are utilized towards the related programs/ activities during the forthcoming year.

Notes to the consolidated financial statements  
for the year ended 31 December 2014

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**k) Revenue recognition**

*i. Contributions and donations*

Contributions, which include unconditional promises to give (pledges), are recognized as revenues when they become receivable. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the sponsor.

LOYAC classifies contributions as temporarily restricted net assets if they are received with sponsor stipulations as to their use. When a sponsor restriction expires, that is, the purpose of restriction is accomplished; temporarily restricted net assets are released and reclassified as unrestricted net assets in the consolidated statement of comprehensive income and activities. Sponsor restricted contributions are initially recognized as temporarily restricted net assets, even if it is anticipated that such restrictions will be met in the current reporting period.

Projects and programs revenue, which arises principally from corporate contributions, individual contributions, contributed services and student training programs is recognized upon the provision of the services.

*ii. Contributed services and donated materials*

Contributed services are reported at fair value in the consolidated financial statements for voluntary donations of services. Contributed services are accounted for as income and expenses when received.

Donated materials are stated at their fair value at the date of receipt and are accounted for as income and expenses at the equivalent amount when received.

*iii. Interest income*

Interest income is recognized as it accrues in the consolidated statement of comprehensive income and activities, using the effective interest method.

**l) Expenditures**

Expenditures are recognized as they accrue. Expenditures for conducting key programs comprise of fees paid to program sponsors and other related expenditure incurred, which are accounted for program-wise.

**Notes to the consolidated financial statements**  
*for the year ended 31 December 2014*

**4. Prepayments and other receivables**

	<b>2014</b>	<b>2013</b>
	<b>KD</b>	<b>KD</b>
Prepaid expenses	17,952	27,183
Refundable deposits	1,000	600
Others	12,208	23,801
	<u>31,160</u>	<u>51,584</u>

**5. Contribution receivables**

This represents contribution receivables due from various sponsors. Subsequent to the reporting date, the full amounts were recovered.

**6. Term deposits**

This represents a deposit placed with a local financial institution maturing within twelve months from the placement date and with an effective rate of 1% (2013: 1 %). Certain deposit are pledged as a security against letter of guarantees (Note 18).

**7. Cash on hand and at banks**

	<b>2014</b>	<b>2013</b>
	<b>KD</b>	<b>KD</b>
Cash on hand	4,131	4,052
Unrestricted cash at bank	236,010	170,375
<b>Cash and cash equivalents</b>	<u>240,141</u>	<u>174,427</u>
Restricted cash at banks	-	33,800
<b>Cash on hand and at banks</b>	<u>240,141</u>	<u>208,227</u>



Notes to the consolidated financial statements  
for the year ended 31 December 2014

8. Property and equipment

	Furniture and fixtures KD	Office equipment KD	Computers and accessories KD	Total KD
<b>Cost</b>				
At 1 January 2013	15,098	15,292	29,994	60,384
Additions	3,307	3,501	1,046	7,854
At 31 December 2013	<u>18,405</u>	<u>18,793</u>	<u>31,040</u>	<u>68,238</u>
At 1 January 2014	18,405	18,793	31,040	68,238
Additions	253	2,769	4,740	7,762
At 31 December 2014	<u>18,658</u>	<u>21,562</u>	<u>35,780</u>	<u>76,000</u>
<b>Accumulated depreciation</b>				
At 1 January 2013	7,623	12,242	23,297	43,162
Charge for the year	2,588	2,187	3,909	8,684
At 31 December 2013	<u>10,211</u>	<u>14,429</u>	<u>27,206</u>	<u>51,846</u>
At 1 January 2014	10,211	14,429	27,206	51,846
Charge for the year	2,782	2,917	3,572	9,271
At 31 December 2014	<u>12,993</u>	<u>17,346</u>	<u>30,778</u>	<u>61,117</u>
<b>Carrying amounts</b>				
At 1 January 2013	7,475	3,050	6,697	17,222
At 31 December 2013	<u>8,194</u>	<u>4,364</u>	<u>3,834</u>	<u>16,392</u>
At 31 December 2014	<u>5,665</u>	<u>4,216</u>	<u>5,002</u>	<u>14,883</u>

9. Intangible assets

	Computer software KD	Total KD
<b>Cost</b>		
Additions and balance at 31 December 2013 and 2014	5,500	5,500
	<u>5,500</u>	<u>5,500</u>
<b>Accumulated amortization</b>		
At 1 January 2014	1,833	1,833
Charge for the year	1,834	1,834
Balance at 31 December 2014	<u>3,667</u>	<u>3,667</u>
<b>Carrying amounts</b>		
At 31 December 2014	1,833	1,833
At 31 December 2013	<u>3,667</u>	<u>3,667</u>

Notes to the consolidated financial statements  
for the year ended 31 December 2014

**10. Accounts payable and accrued expenses**

	<b>2014</b>	<b>2013</b>
	<b>KD</b>	<b>KD</b>
Payable to staff, students and others	56,324	31,444
Retentions from students	4,485	4,510
Advances received from students	9,362	2,180
Accruals and other payables	17,177	13,380
	<u>87,348</u>	<u>51,514</u>

**11. Deferred contributions**

Deferred contributions to programs and activities as at 31 December were as follows:

	<b>2014</b>	<b>2013</b>
	<b>KD</b>	<b>KD</b>
The 7 Habits of Highly Effective Teens and College Students' Program	-	1,598
Kuwait for Kenya Project (K4K)	1,248	-
Teens KSA Tailored Camp	-	1,160
Kuwaiti Talent Fund	10,460	4,000
Homes Project – Lebanon	5,540	5,540
General Help Aid	1,937	500
Aden Yemen Initiative -Yemen	1,500	-
Soccer School - AC Milan	28,146	14,272
Dow Day out Program	22,000	54,016
Music Course	8,412	9,271
Clarinet Course @ Istanbul	836	866
Musical Event - National Council for Art & Culture	-	4,756
Graduates Empowerment Program – GEP	3,000	3,000
Diploma in Graphic Arts	-	1,950
Homes Committee	10,978	5,728
Little Loyacers Winter	1,209	-
Youth Initiative Programmes	17,984	-
Kan Ya Ma Kan – Project	-	7,354
Loyac Academy of Performing Arts – LAPA	28,971	24,937
	<u>142,221</u>	<u>138,948</u>

Notes to the consolidated financial statements  
for the year ended 31 December 2014

12. Provision for employees' end of service benefits

	2014 KD	2013 KD
Balance at 1 January	30,480	29,909
Charge for the year	16,295	8,577
Payments during the year	(3,907)	(8,006)
Provision no longer required	(1,953)	-
Balance at 31 December	<u>40,915</u>	<u>30,480</u>

13. Equity (net assets)

a) Share capital

Share capital comprises of 100 shares at a nominal value of KD 200 each (2013: KD 200), which are distributed among the owners as follows:

31 December 2014	Shares	Amount KD
<b>Owner:</b>		
Sheikha Amal Al-Sabah	14	2,800
Fareah Al-Saqqaf	15	3,000
Abeer Al-Essa	15	3,000
Fadia Al-Marzooq	14	2,800
Mona Al-Kalouti	14	2,800
Nadia Al-Marzouq	14	2,800
Fetouh Al-Dalali	14	2,800
	<u>100</u>	<u>20,000</u>

Subsequent to the reporting date and by virtue of amendments to the Articles of Association No. 404 dated 10 February 2015, certain owners exited the Company and their shares were renounced to the other partners as follows:

	Shares	Amount KD
<b>Owner:</b>		
Fareah Al-Saqqaf	18	3,600
Abeer Al-Essa	17	3,400
Fadia Al-Marzooq	17	3,400
Mona Al-Kalouti	16	3,200
Nadia Al-Marzouq	16	3,200
Fetouh Al-Dalali	16	3,200
	<u>100</u>	<u>20,000</u>

Notes to the consolidated financial statements  
for the year ended 31 December 2014

a) Statutory reserves

In accordance with the Companies' Law and LOYAC's articles of association, 10% of the surplus for the year is required to be transferred to the statutory reserve. The owners may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when profit is not sufficient for the payment of such dividend.

b) Voluntary reserve

In accordance with LOYAC's articles of association, 10% of surplus for the year shall be been transferred to the voluntary reserve. Such transfers can be discontinued by a resolution from the owners in the annual general assembly meeting upon recommendation by the board members. There are no restrictions on the distribution of this reserve.

c) Classification of net assets

Unrestricted and temporarily restricted net assets represent the following as at 31 December:

	2014 KD	2013 KD
<i>Designated for the following purposes:</i>		
Share capital	20,000	20,000
Voluntary reserve	27,619	27,619
	<u>47,619</u>	<u>47,619</u>
Undesignated for programs / activities	32,277	(44,465)
Total unrestricted net assets	<u>79,896</u>	<u>3,154</u>
Temporarily restricted net assets	142,221	138,948
	<u>222,117</u>	<u>142,102</u>

Permanently restricted net assets represent the following as at 31 December:

	2014 KD	2013 KD
Statutory reserve	<u>16,121</u>	<u>16,121</u>

Notes to the consolidated financial statements  
for the year ended 31 December 2014

14. Operating and support revenues

			2014	2013
	Unrestricted KD	Temporarily restricted KD	Total KD	Total KD
<b>Contributions</b>				
Corporate contributions	524,519	28,971	553,490	368,738
<b>Services and materials</b>				
Contributed services of board members	74,000	-	74,000	72,000
Contributed use of printing press	3,575	-	3,575	3,882
Contributed use of media and other facilities	1,680	-	1,680	3,250
	<u>79,255</u>	<u>-</u>	<u>79,255</u>	<u>79,132</u>
<b>Projects and programs</b>				
The 7 Habits of Highly Effective Teens and College Students' Program	1,673	-	1,673	4,050
TEENS KSA TAILORD CAMP-7 HABITS	2,320	-	2,320	-
Bosnia project	960	-	960	-
AG Fund (L1 Project)	12,725	-	12,725	-
International Internship in General	-	-	-	4,035
Kuwaiti Talent Fund	1,040	10,460	11,500	4,000
Homes Project - Jordan / Lebanon	-	5,540	5,540	6,000
We Build Global Outreach	860	-	860	765
Kuwait for Kenya Project (K4K)	7,160	1,250	8,410	6,749
Mass Communication Course	1,865	-	1,865	5,188
Soccer School – AC Milan	115,906	28,146	144,052	134,108
AC Milan Clinic	772	-	772	-
General Fund Soccer School	-	-	-	850
AC Milan Trip	-	-	-	13,030
English Language Course	4,860	-	4,860	5,850
General Help AID	12,321	1,936	14,257	500
Aden Yemen Initiative	-	1,500	1,500	-
Local Programme outside events	5,585	-	5,585	-
Clarinet Course @ Istanbul	30	836	866	3,500
Dow Day - out Program	59,978	22,000	81,978	62,512
LOYAC Events	-	-	-	900
Music Course	13,360	8,411	21,771	15,039
Art Exhibition	-	-	-	1,950
Musical Event - National Council for Art & Culture	4,756	-	4,756	28,483
Graduates Empowerment Program - GEP	-	3,000	3,000	6,000
Diploma in Graphics	4,202	-	4,202	-
Homes Committee	17,984	10,977	28,961	30,084
"Service is my Joy" Program	1,250	-	1,250	2,461
Summer Program	14,799	-	14,799	15,890
Community services	334	-	334	900
LOYAC Internship Program	3,562	-	3,562	7,609
LOYACY Magazine	-	-	-	2,500
LOYAC Academy for Performing Arts - LAPA	77,748	-	77,748	115,660
Little LOYACERS	3,161	1,209	4,370	1,638
Summer Program - Youth Initiative	9,609	17,985	27,594	-
Dow Science Club	15,000	-	15,000	-
Lipton Project	2,913	-	2,913	-
	<u>396,733</u>	<u>113,250</u>	<u>509,983</u>	<u>480,251</u>
<b>Other revenues</b>	65,759	-	65,759	15,185
	<u>1,066,266</u>	<u>142,221</u>	<u>1,208,487</u>	<u>943,306</u>

Notes to the consolidated financial statements  
for the year ended 31 December 2014

15. Operating expenditure – projects and programs

	Salaries KD	Student training KD	Travel and housing KD	Contributed services KD	Media KD	Printing and supplies KD	Contractual services KD	Relief services KD	Material cost KD	Others KD	Total KD	2013 Total KD
The "7 Habits of Highly Effective Teens and College, Students " Programs	-	-	1,770	-	-	148	-	-	654	1,502	4,074	1,291
WYSE Personal and Psychological Program	-	2,309	2,418	-	-	-	-	-	-	18	4,745	1,365
International Internship Programs	-	-	3,035	-	-	-	-	-	-	-	3,035	5,837
Global Entrepreneurship program	-	1,118	-	-	-	-	-	-	-	11	1,129	2,704
Kuwait for Kenya Project (K4K)	-	-	5,999	-	20	72	-	18	69	982	7,160	7,302
International Volunteer Programs	-	1,335	2,008	-	-	-	-	-	-	-	2,008	914
We Build Global Outreach	-	-	502	4,919	380	110	-	-	24	14	1,875	793
Yemen AID	351	-	5,685	-	-	-	-	-	156	720	12,321	-
Kuwait Talent Fund	-	-	-	-	-	-	-	-	-	1,040	1,040	-
Homes Project - Jordan / Lebanon	-	-	1,491	-	150	68	-	5,131	6,777	1,130	17,984	460
Homes Committee	4,728	-	-	-	-	-	-	-	-	-	1,491	24,356
Mass Communication Course	-	1,865	-	-	-	-	-	-	-	-	1,865	5,188
LOYAC – Jordan	-	-	1,446	-	-	-	19,911	-	491	279	22,127	21,578
LOYAC – Lebanon	10,447	-	300	-	-	-	8,739	-	244	-	19,730	10,822
AC Milan Programs	-	-	10,596	-	-	-	-	-	-	123	10,719	13,036
Soccer School - AC Milan	56,884	773	10,009	-	20	461	17,420	-	8,500	11,893	105,960	119,835
General fund-Soccer School	-	-	-	-	-	-	-	-	-	-	-	1,070
English Language Courses	2,360	11,977	2,067	-	-	122	9,720	-	616	-	9,720	12,053
LOYAC Events & Activities	2,776	-	-	-	720	405	-	-	360	10,916	28,058	32,129
Part – Time Program	-	-	-	-	-	-	-	-	-	192	4,453	7,608
Graduates Empowerment Program - GEP	-	-	-	-	-	-	-	-	-	-	-	3,000
Summer Programs	7,730	-	120	480	20	1,427	-	-	2,955	4,424	17,156	18,398
Summer program committees	1,750	297	3,985	-	-	288	-	-	1,009	2,280	9,609	944
Little LOYACERS	1,210	-	-	330	20	60	-	-	346	1,195	3,161	2,120
"Service is my Joy" Program	820	-	-	300	-	58	-	-	155	346	1,679	2,651
LOYAC Book Club	-	-	-	-	-	-	-	-	-	-	-	32
Community Outside Centers	1,940	-	-	-	-	-	-	-	81	253	2,274	3,974
Loyac Documentary - DOW:Media Unit	-	-	969	5,962	1,701	192	5,480	-	6,378	39,297	59,979	8,497
LOYACY Magazine	-	-	-	-	-	-	-	-	-	-	-	3,400
LOYAC Academy for Performing Arts - LAPA	53,398	11,084	11,776	4,686	7,867	2,317	3,254	-	18,266	6,709	119,357	83,370
AG Fund - L1 Project	24,017	-	-	-	170	141	-	-	-	14	24,342	-
DOW science club	-	-	-	-	-	-	15,000	-	-	-	15,000	-
Kuwait Science Fair	1,150	-	-	-	-	-	-	-	1,431	335	2,916	746
	169,561	30,758	64,176	16,677	11,068	5,869	79,524	5,149	48,512	83,673	514,967	395,473

**15. Operating expenditure – projects and programs (continued)**

Operating expenditure – projects and programs includes contributed services by board members amounting to KD 12,000 (2013: KD 12,000).

**16. Operating expenditure - supporting services**

	<b>2014</b>	<b>2013</b>
	<b>KD</b>	<b>KD</b>
Salaries and benefits	311,072	219,293
Contributed services by board members	74,000	72,000
Board members' compensation	25,000	24,000
Office rent	3,600	3,300
Professional fees	2,500	750
Website	1,707	1,093
Training cost	700	20
Printing and office stationary	6,396	4,472
Communication costs	10,572	14,174
Office and administrative expenses	6,516	1,531
Advertisement and design	5,364	3,107
Repair and maintenance costs	6,699	4,714
Depreciation	9,271	8,684
Amortization	1,834	1,833
Others	6,053	4,060
	<u>471,284</u>	<u>363,031</u>

The contributed services by board members have been proportionately allocated to operating expenditure – supporting services and operating expenditure - projects and programs amounting to KD 74,000 (2013: KD 72,000) and KD 12,000 (2013: KD 12,000), respectively based on the time consumed in those activities with the corresponding equal amounts recognized as a contribution within operating and support revenues.

**17. Related party transactions**

Related parties comprise of owners and enterprises in which a substantial interest in the voting power is owned directly or indirectly by the owners or over which they are able to exercise significant influence.

Significant related party transactions during the year were as follows:

- a) Members contributed services amounting to KD 74,000 during the year (2013: KD 72,000).
- b) Members' compensation of KD 25,000 (2013: 24,000) for the board members of LOYAC for daily expenses incurred by them in the course of their duties.
- c) Transfers of donations received and operating expenses incurred on behalf of LOYAC Jordan amounting to KD 22,127 (2013: KD 21,578).
- d) Transfers of donations received and operating expenses incurred on behalf of LOYAC Lebanon amounting to KD 19,730 (2013: KD 10,822).

**18. Contingencies**

	<b>2014</b>	<b>2013</b>
	<b>KD</b>	<b>KD</b>
Letter of guarantees	58,764	-
	<u>58,764</u>	<u>-</u>

**19. Financial instruments and risk management**

LOYAC has primary exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about LOYAC's exposure to each of the above risks, LOYAC's objectives, policies and processes for measuring and managing risk, and LOYAC's management of its capital.

The Board of Directors at LOYAC has overall responsibility for the establishment and oversight of LOYAC's risk management framework.

LOYAC's risk management policies are established to identify and analyze the risks faced by LOYAC, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and LOYAC's activities. LOYAC, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

LOYAC in the normal course of business uses various types of financial instruments.

**Credit risk**

LOYAC is exposed to credit risk in respect of losses that would have to be recognized if counterparties fail to perform as contracted.

LOYAC's exposure to credit risk is primarily in respect of other receivables, bank balances and contribution receivables. As at the reporting date, LOYAC's maximum exposure to money market fund credit risk is equal to the carrying amounts disclosed in the consolidated statement of financial position.

The maximum exposure to credit risk as at the reporting date was:

	<b>2014</b>	<b>2013</b>
	<b>KD</b>	<b>KD</b>
Cash and cash equivalents (excluding cash on hand)	236,010	170,375
Contribution receivables	150,275	87,154
Other receivables	13,208	24,401
	<u>399,493</u>	<u>281,930</u>



**Notes to the consolidated financial statements**  
*for the year ended 31 December 2014*

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LOYAC limits its exposure to credit risk by only placing funds with counterparties with appropriate credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

The management believes that, as at the reporting date, there were neither past due nor impaired financial assets and accordingly no collateral in respect of receivables is required.

**Liquidity risk**

Liquidity risk is the risk that the LOYAC will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. LOYAC's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to LOYAC's reputation.

LOYAC limits its liquidity risk by monitoring on a regular basis that sufficient funds are available to meet maturing obligations. In addition, LOYAC maintains adequate amounts of cash and cash equivalents to meet working capital requirements.

LOYAC's financial liabilities are non-derivatives and mature within one year.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect LOYAC's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

*Equity price risk*

Equity price risk is the risk that the value of an instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market.

LOYAC is not exposed to equity price risk as at the reporting date.

*Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments.

The majority of LOYAC's financial assets are non-interest bearing. LOYAC is exposed to interest rate risk only on its call deposits with banks and money market fund. Interest bearing financial assets mature or reprise in the short term, no longer than twelve months. As a result, LOYAC is subject to limited exposure to fluctuation in interest rate.

**Notes to the consolidated financial statements**  
*for the year ended 31 December 2014*

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*Currency risk*

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates.

LOYAC is not exposed to significant currency risk as at the reporting date.

**Fair value of financial instruments**

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Financial instruments comprise financial assets and financial liabilities.

The directors consider that the carrying amounts of financial assets and liabilities recognized in the consolidated financial statements approximate their fair values.

LOYAC does not have any financial instruments measured at fair value as at the reporting date and therefore the disclosure of fair value measurements by level using a fair value hierarchy is not applicable.

**Capital risk management**

The management's policy is to maintain a strong capital base to sustain future development of the organisation. The management monitors the income from sponsorship fees, donations, training program and other activities' fees through operating cash flow management. The management seeks to maintain a balance between the funding received from sponsors and the expenses incurred on training programs and other activities to achieve a sound capital position.

There were no changes in LOYAC's approach to capital management during the year.

LOYAC is subject to externally imposed capital requirements, except for the minimum capital requirements stipulated by the companies law, in relation to limited liability companies.

**20. Comparative figures**

The financial statements provide comparative information in respect of the previous year. Where necessary, certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassifications did not affect previously reported statement of activities and other comprehensive income, equity or opening balances of the earliest comparative period presented.